

**SFY 2011 Budget Report from the
Plumbers, Mechanical Professionals, and
Contractor Licensing Board**



Submitted to the Iowa General Assembly on August 31, 2011

**Pursuant to requirements of House File 392 adopted during
the 2011 Legislative Session**

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In response to House File 392 from the 2011 legislative session, the Iowa Plumber, Mechanical Professional, and Contractor Licensing Board (PMB) submits the following budget report pursuant to Section 5 of the bill. It should first be noted that the bill language calls for the submission of a budget report not later than 60 days following the end of each fiscal year, yet the state fiscal year books do not close out until 90 days after (August 31, 2011) the end of the fiscal year. Due to this conflict in timing, this report reflects the best available data at the time this report was created.

Key Changes from HF392 to impact the PMB budget:

- Requires free renewals for licenses that expire in calendar years 2011 and 2012.
- Extends licenses from a 2 year to a 3 year term.
- Establishes fees for new licenses issued in calendar years 2011 and 2012.
- Allows the board to re-establish a licensing fee effective January 1, 2013.
- Requires annual report to legislature to ensure over a three year projection that board revenues do not exceed expenses by more than 10%.

Licensing renewal status as of July 31, 2011:

- The board has issued 25,532 total licenses.
- As of 7/31/11, 16,749 licenses were due for renewal and 12,144 licenses had been renewed.
- Of the 4,605 licenses that have not yet been renewed; 1,274 were within the 30-day grace renewal period; 2,056 were from 31 to 60 days past renewal; and 1275 were more than 60 days past due (representing approximately 8% that likely will not renew).
- 8,783 licenses are due for renewal between August 1 and December 31, 2011; generating revenue for state fiscal year (SFY) 2012.
- The majority of licenses issued by the board were issued in calendar year 2009, which impacted SFY 2009 and 2010. These licenses were issued as a 2-year license, which means renewals (and associated revenue) will be occurring mainly in calendar year 2011, or SFY 2011 and 2012.
- With a new three year license taking effect as of January 1, 2011 roughly 90% of all license renewals and associated revenue generation will occur on a three year cycle occurring in 2014, 2017, 2020, etc..

FY11 (as of 7/31/11) and projected annual budget through State Fiscal year 2016:

State Fiscal Year	Revenue	Expenditures	Balance
2011	\$3,703,266	\$964,052	\$2,739,214
2012	\$2,777,535	\$1,110,255	\$1,667,280
2013	\$1,717,280	\$1,146,333	\$570,946
2014	\$2,594,946	\$1,184,938	\$1,410,007
2015	\$2,624,407	\$1,226,245	\$1,398,162
2016	\$1,448,162	\$1,270,443	\$177,718

***Please see attachment #1 for a more detailed budget report.

Considerations for adjusted budget projections moving forward:

- The SFY 2012 through SFY 2016 estimated revenue is based on the assumption of returning fees to the “pre-HF392” levels of \$250 for master and \$100 for journey in January 2013.
- The projected expenditures for SFY 2012 through SFY 2016 budgets include expenses (such as temporary staff and IT related costs) that may vary once the board has a more consistent history of expenditures. Thus, the expenditures MAY be reduced as additional fiscal years are finished.
- The next significant renewal period will occur in calendar year 2014, covering SFY 2014 and 2015. Assuming the revenue and expenditure projections demonstrated above are accurate, the board will zero out its budget sometime around January 1, 2014; or mid-way through SFY the 2014.
- The next significant renewal period after this will occur in calendar year 2017, covering SFY 2017 and 2018.
- If current revenue and expenditures hold true, the above projected budget demonstrates a shortfall in SFY 2017. The board has a projected beginning balance of \$177,718 to start July 1, 2016 (start of SFY 2017). Annual expenses for SFY 2017 will be approximately \$1.2million; with an estimated expenditure amount of \$600,000 from July 1, 2016 through December 31, 2016. Leaving an approximately 4-5 month period where the board would potentially run a negative balance.
- Evidence suggests that an additional investigator for the board may be necessary to investigate complaints against licensees. This need will be monitored closely over the next 6 to 12 months before any major changes in budgeting are made.
- Assumption that no additional significant changes in legislation affecting the board are made. The statute governing this board has experienced significant modifications each year since 2007.

Conclusions:

1. This budget report was developed using a limited understanding of the long term impacts of HF392, variability in actual numbers may arise as more accurate information can be obtained.
2. This report was created in part using historical data that does not represent current program needs.
3. Based on current projections, and assuming the fees for master and journey level licenses return to pre-HF392 levels, the board will zero out its budget mid-year in SFY 2014. This will coincide well with more routine revenue generation that will begin in January 2014.
4. In anticipation of the shortfall for SFY 2017, the board will be monitoring projections and actual expenditures closely over the next 12 – 16 months and work to establish a new fee structure to take effect January 2013 that will be fair to licensees, as well as maintain revenue to not more than 10% above a 3-year average of projected expenditures.
5. This initial report indicates that the fee structure for 2013 will be close to the fees originally established by the board (\$250/master and \$100/journey). However, this fee structure will now apply to a three year licensing term thereby reducing the annual average cost to a licensee by approximately 33%.

Class	REVENUES	Actual FY11 as of 7/31/11	FY12 Estimated Budget	FY13 Estimated Budget	FY14 Estimated Budget	FY15 Estimated Budget	FY16 Estimated Budget
401	Prior FY Carryover of fees	3,549,193.80	2,685,135.00	1,667,280.00	570,946.02	1,410,007.53	1,398,162.22
	GF Appropriation	-	-	-	-	-	-
	Licensing Fees (new and renewal)	154,072.71	92,400.00	50,000.00	2,024,000.00	1,214,400.00	50,000.00
	Revenue Total	3,703,266.51	2,777,535.00	1,717,280.00	2,594,946.02	2,624,407.53	1,448,162.22
	EXPENDITURES						
101	Personnel	432,641.46	515,414.00	551,492.98	590,097.49	631,404.31	675,602.61
202	In-State Travel	13,841.80	13,500.00	13,500.00	13,500.00	13,500.00	13,500.00
203	State Vehicle Operation	61.06	200.00	200.00	200.00	200.00	200.00
204	State Vehicle Depreciation	28.71	200.00	200.00	200.00	200.00	200.00
205	Out-of-State Travel	-	-	-	-	-	-
301	Office Supplies	7,084.75	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
308	Other Supplies	77.57	700.00	700.00	700.00	700.00	700.00
309	Printing and Binding	12,389.49	13,000.00	13,000.00	13,000.00	13,000.00	13,000.00
311	Food	1.35	500.00	500.00	500.00	500.00	500.00
313	Postage	22,616.71	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00
401	Communications	6,941.63	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00
402	Rentals	525.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
406	Outside Services	71,884.93	110,000.00	110,000.00	110,000.00	110,000.00	110,000.00
407	Intra-State Transfers	42,088.00	82,241.00	82,241.00	82,241.00	82,241.00	82,241.00
408	Advertising & Publicity	-	-	-	-	-	-
409	Outside Repairs	-	-	-	-	-	-
411	Attorney General Reimbursement	46,421.61	-	-	-	-	-
414	Reimbursement to other Agencies	3,560.23	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00
416	ITD Reimbursements	13,077.41	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00
418	IT Outside Services	149,035.50	75,000.00	75,000.00	75,000.00	75,000.00	75,000.00
432	Gov Transfer Attorney General	-	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
502	Office Equipment	-	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
503	Equipment/Non-Inventory	4,966.60	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
510	IT Equipment	23,979.03	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
601	Claims	-	-	-	-	-	-
602	Other Expenses & Obligations	12,748.28	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00
701	Licenses	-	-	-	-	-	-
705	Refund	100,081.33	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
	Expenditure Total	964,052.45	1,110,255.00	1,146,333.98	1,184,938.49	1,226,245.31	1,270,443.61
	Additional Encumbrances in 13 per monthly report	-	-	-	-	-	-
	RECAP						
	Total Revenue	3,703,266.51	2,777,535.00	1,717,280.00	2,594,946.02	2,624,407.53	1,448,162.22
	Total Expenditures	964,052.45	1,110,255.00	1,146,333.98	1,184,938.49	1,226,245.31	1,270,443.61
	Balance	2,739,214.06	1,667,280.00	570,946.02	1,410,007.53	1,398,162.22	177,718.60
	Approp Close Out &/or Appeal Boards	-	-	-	-	-	-
	Amount Carried Forward	2,739,214.06	1,667,280.00	570,946.02	1,410,007.53	1,398,162.22	177,718.60